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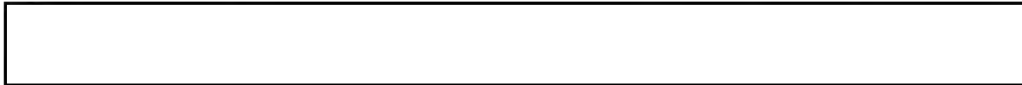
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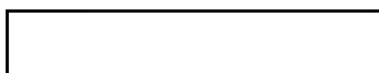
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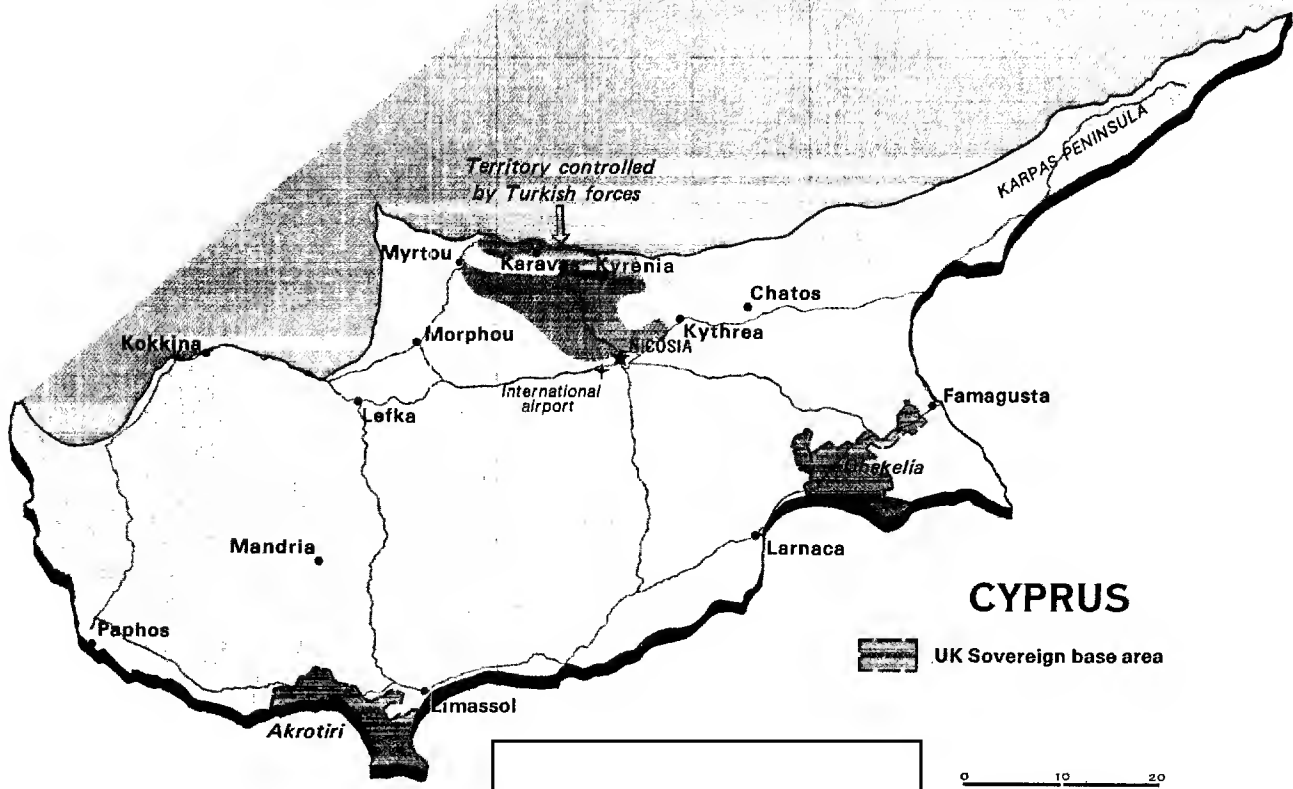
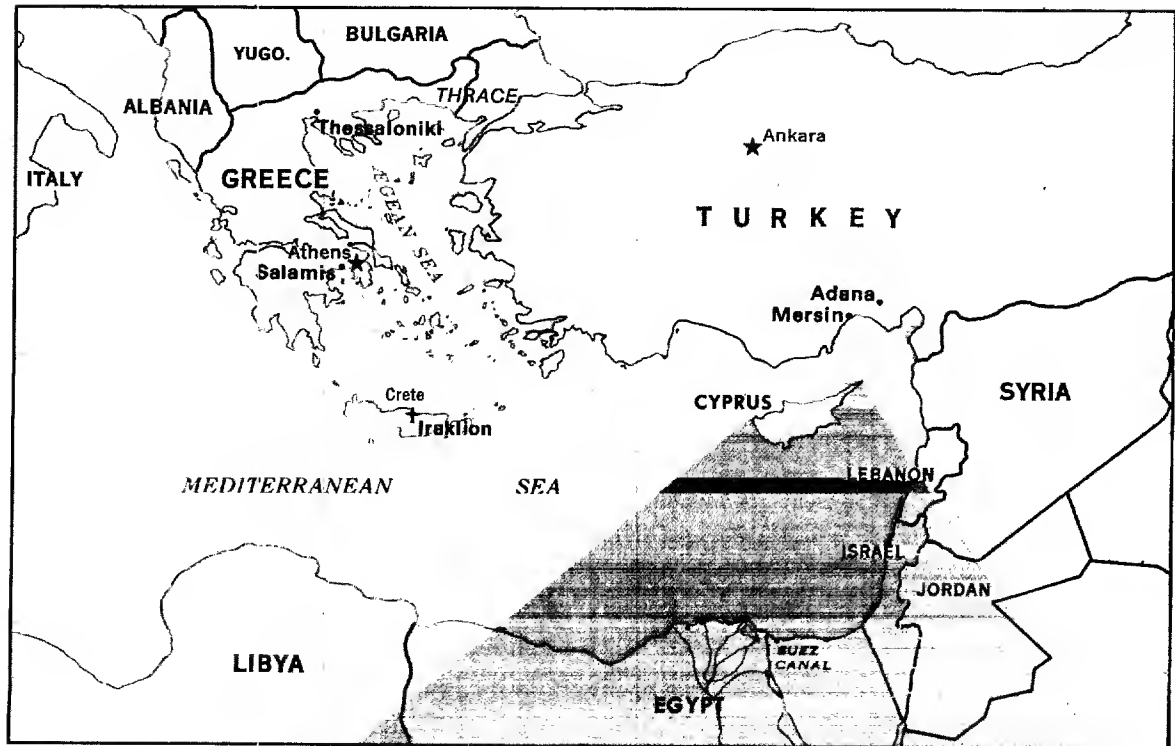
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CYPRUS

Turkish forces yesterday continued to extend their hold on the Nicosia-Kyrenia corridor, pushing westward from Kyrenia on the coast and northwestward from Nicosia. By evening, they had taken Myrtou, thereby seizing control of the second major road between Nicosia and Kyrenia.

The Turkish push eastward toward the besieged Turkish Cypriot enclave at Chatos apparently stalled when it came up against a UN contingent. There were no reports of firing between the Turks and the UN force.

The remainder of the island was quiet. UN officials report that Turkish Cypriot forces appear to have surrendered to Greek Cypriots in all the larger enclaves except Famagusta and the eastern portion of the Chatos enclave.

In Nicosia, President Clerides again stated that he could no longer restrain his National Guard forces if Turkish troops continued to advance into Greek Cypriot areas. He said that his diplomatic initiatives to the Soviet Union, as well as to the US, the UN, and the three guarantor powers, had been to no avail in stopping the Turkish advances. Possibly warning of reprisals against the residents of Turkish Cypriot villages now held as virtual hostages by the National Guard, Clerides said the consequences of continued ceasefire violations would fall heavily on Turkish Cypriots.

Despite these harsh words, Clerides appeared to be in a conciliatory mood and stressed that he was not setting a time limit. In fact, his government appears ready to accept Turkish gains over the past week, and perhaps even a somewhat greater Turkish expansion westward, if the situation can be stabilized.

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Turkish Cypriot leader Denktash, while obviously relishing his strengthened position, also seemed conciliatory in his attitude toward Clerides.

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Meanwhile, the Cypriot government has called for an emergency meeting of the UN Security Council to consider continued Turkish cease-fire violations. A meeting was scheduled for yesterday, but after a three-hour delay it was postponed until today to await possible developments at the Geneva talks.

The peace talks in Geneva came very close to breaking down yesterday. Greek Foreign Minister Mavros threatened to walk out of the conference, and the afternoon session was canceled. Mavros and Turkish Foreign Minister Gunes agreed late last night to discuss their differences again this morning.

The future of the talks appears to hinge on the outcome of this meeting and on the British determination to keep the negotiations on track. Foreign Secretary Callaghan spent the afternoon and evening in a series of private discussions with Mavros and Gunes. According to press reports, Gunes presented Callaghan with military and political proposals calling for a separate conference to deal with the restoration of constitutional order on Cyprus and maintenance of the cease-fire along present lines.

The differences in Geneva seem to center on disagreement over the terms of the cease-fire resolution. The resolution, originally drafted before the Turkish

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invasion, called for withdrawal of foreign military personnel. At that time, this reference was directed at the Greek officers in the Cypriot National Guard.

The Greeks interpret the resolution, however, as a mandate for the withdrawal of the Turkish troops which have landed on Cyprus since the invasion began on July 20. The Turks favor a broader interpretation of the resolution linking the cease-fire to a political settlement. [REDACTED]

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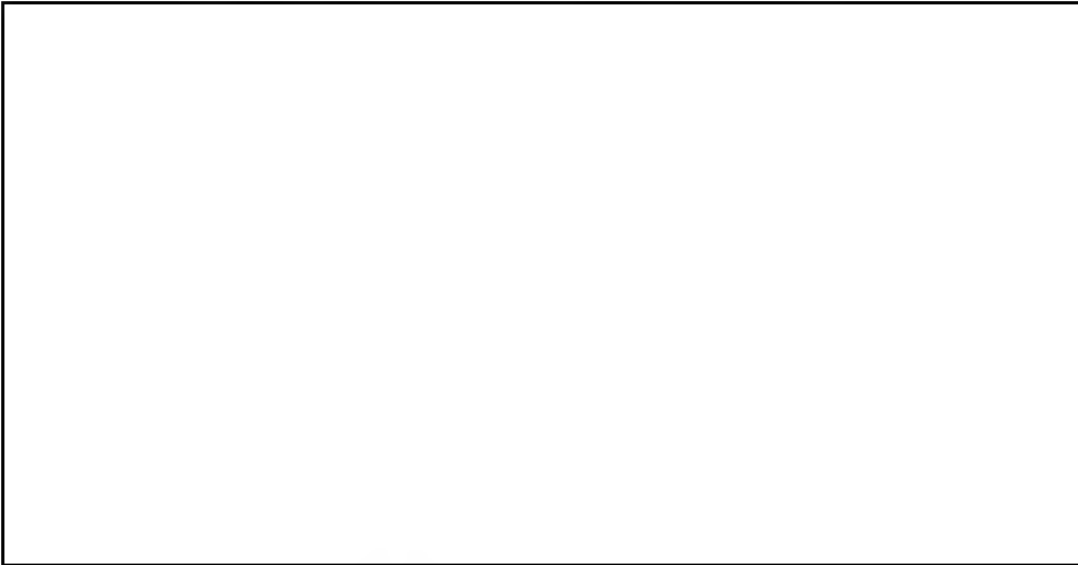
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GREECE

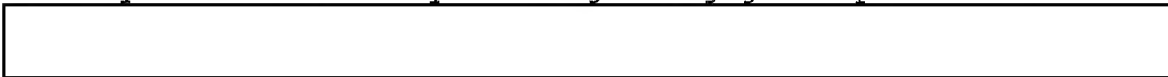
Greek Defense Minister Averoff fears that some military leaders may be plotting to overthrow the Karamanlis government, possibly as early as July 27, and has asked for strong US intercession in support of the new civilian government.

Many military officers, particularly lower echelon, no doubt disagree with the decision this week to turn over the government to civilians. Some of them are concerned that the government may seek to punish those responsible for the repressive measures of the past seven years.



Meanwhile, Karamanlis completed the selection of his cabinet yesterday. The cabinet consists of center-right politicians and technocrats and includes some individuals imprisoned by the previous military regime.

Karamanlis also took steps to limit further the power of Ioannidis. The military police, which Ioannidis apparently still heads, has been restricted to security matters and may no longer engage in politics.



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USSR

The newly elected Supreme Soviet convened on July 25 for its opening session. On the basis of the party Central Committee's recommendation delivered by General Secretary Leonid Brezhnev, the Supreme Soviet re-elected Nikolay Podgorny chairman of its Presidium and Aleksey Kosygin, chairman of the Council of Ministers. All ministers, including embattled Minister of Culture Yekaterina Furtseva, retained their posts.

The only organizational change announced by the new Supreme Soviet thus far was the creation of standing commissions in both of its houses to supervise production of consumer goods. The move emphasizes the continued interest of the leadership in improving the consumer sector of the economy.

First Deputy Premier Mazurov and Kazakh First Secretary Kunayev were not among the leaders listed as attending the opening session, but both were reported present for the second day. Kunayev has been ill and was unable to make his election speech in person last June. Mazurov missed the Nixon-Brezhnev summit as well, as he was on an official visit to East Germany and then went on vacation in Yugoslavia. Mazurov was re-elected to his post as first deputy chairman of the Council of Ministers, however, and there has been no sign that he is in political trouble. [REDACTED]

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PORTUGAL

Prime Minister Goncalves' choices to fill the 26 subcabinet posts suggest that he was motivated by a desire to appoint competent individuals who will get the country moving again, rather than by political considerations.

The Communists appear to have retained only one representative--Secretary of State for Labor Carvalhas, who was reappointed. He is believed to be a Communist, although there is no recent information on his affiliation. The exclusion of the Communist-dominated People's Democratic Movement from the government suggests this coalition may soon disappear because of growing disenchantment on the part of the Socialists and centrists.

The Socialists have at least four representatives in the subcabinet: the foreign affairs, housing, education, and justice posts. The liberal technocrat group that existed in pre-coup days--the Society for the Study of Economic and Social Development--has several representatives.

The group of 26 is almost exclusively male, largely in the 30-40 age group, and technically trained. Ten are engineers or architects, two are military, and most of the remainder are lawyers. None is nationally prominent, and many were active in circles opposed to the old regime. Some were even arrested by the former regime on charges--perhaps trumped up--of communist activities.

Two subcabinet positions are still vacant--the newly created under-secretary slots in the ministries of internal administration (interior) and mass communications.

Some of the new appointees [redacted] may turn out to be Communists or Socialists, but their numbers are not sufficient to shift the balance of power in the new government clearly to the leftists. [redacted]

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USSR - SOUTH YEMEN

Moscow has apparently promised Aden additional military aid.

A communiqué marking the end of the visit to the USSR last week by the general secretary of the South Yemeni National Front stated that "measures were outlined to strengthen the defense capability of South Yemen."

Moscow, Aden's primary source of arms and training, probably made the commitment in part to allay Adeni concern both over Iranian military involvement in crushing the South Yemeni - supported rebellion in Oman and over the intentions of the new regime in North Yemen. The Soviets, as they have several times in the past, probably cautioned against any rash action.

In the communiqué, the two countries expressed satisfaction with their relations and took special note of Moscow's contribution to the economic development of South Yemen. Agreements on economic, technical, and cultural and scientific cooperation were also signed during the visit.

Aden's praise of Soviet economic assistance may have been more for effect than a reflection of true feelings. Comments by Adeni officials indicate that the country has not been very pleased with the extent of Soviet economic aid. Indeed, Aden has recently sought assistance from Arab and Western states to help bolster its declining economy. With this in mind, the Soviets probably reaffirmed their continuing assistance to Aden's economic development.

The visit and the signing a short time before of the Soviet-Somali Friendship Treaty indicate the Soviets' continuing strong interest in the area. As the reopening of the Suez Canal comes closer to achievement, Moscow appears to be attempting to consolidate its foothold in the Gulf of Aden area. The Soviets undoubtedly want to forestall any expansion of Iranian, Egyptian, and Saudi influence in the area. [REDACTED]

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USSR-BALKANS

Air and rail activity in the Balkans during the past two weeks has prompted speculation that the USSR is covertly introducing military forces into Bulgaria. Although there has been some unusual air transport activity near Budapest, there is no information from intelligence sources to substantiate a Soviet buildup in Bulgaria.

NATO attachés in Hungary first noticed an increase in flight activity near Budapest on July 11. They reported "streams" of aircraft--mostly turboprop transports--flying at altitudes of 6,000 to 8,000 feet in the corridors near the city at the rate of 20 to 30 aircraft per day, considerably more than normal levels.

The attachés speculated that the Soviets could be using these transports to fly Soviet troops to a point somewhere in the Balkans, possibly Bulgaria, but the relatively low altitude of the aircraft suggests they did not have a destination far outside Hungary. A number of these aircraft have been observed going toward Yugoslavia and Romania, and at least 30 were seen flying into Romania on Thursday.

One line of speculation concerning the flights sees the Soviets as seeking to intimidate the Greeks by making a show of force near the Greek border. If that were the Soviet intention, however, it could more easily be accomplished by other means, such as open movement of Bulgarian tank brigades and motorized infantry divisions to the border. US attachés in Sofia who made a thorough tour of Bulgaria last weekend found no evidence of Soviet troops there.

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Attachés in Sofia report that a low-level alert seems to be in effect among some Bulgarian units, and a few units apparently have taken up positions near Bulgaria's borders. Bulgarian aircraft have conducted reconnaissance flights near the borders of Greece and Turkey. With two of Sofia's neighbors on the verge of war since July 15, Bulgarian reactions appear to be within the bounds of normal precautionary moves.

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IRAN-ITALY

The Shah of Iran now appears somewhat more willing to provide financial assistance to Rome.

The Shah recently extended loans to London and Paris, but only a few weeks ago he categorically refused to assist Italy, which he considered a poor financial and political risk. Now he says that he may help if he is given an assurance that the government will not share power with the Communists.

Italy's dominant Christian Democratic Party could probably provide such a guarantee. Although its recent responses to Communist overtures have lacked the finality of earlier rejections, the party is still clearly negative to including the Communists in the government. The Communists, moreover, appear reluctant to accept coalition membership under present circumstances.

If the Shah's attitude continues to soften, aid may take the form of some prepayment for a \$3-billion deal an Italian state company recently concluded with Iran. The prepayments could occur as interest-bearing deposits, as they did in Iran's deal with France.

The agreement with the Italian company covers construction of industrial plants in the Bandar Abbas region in southern Iran. Plans include construction of rolled steel plants with a capacity of around 3 million metric tons and a thermoelectric power plant that can produce 550 megawatts. Also included in the deal are a methane pipeline, a desalinization plant, a railroad, and a shipyard.

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FRANCE

Justice Minister Jean Lecanuet early this week frankly discussed with the US ambassador his views on some of the problems faced by President Giscard's supporters in consolidating their political control.

Lecanuet said Gaullist influence in the National Assembly would have to be "liquidated" before a solid Giscardian majority could be created. The Gaullists presently control about 183 of the 490 seats. Lecanuet considers it doubtful that Giscard could gain the unqualified support of all the Gaullist deputies. Interior Minister Poniowski, Giscard's right-hand man, told the ambassador on July 23 that the President now can generally count on the support of all but 20 to 25 "irreducible" Gaullist deputies.

Both men expect the President to call legislative elections in 18 to 24 months, and both link his chances of winning a solid new majority to the health of the economy and progress on social change. The new majority desired by Giscard's followers would leave only the hard-core Gaullists and the Socialist-Communist coalition in opposition.

Lecanuet indicated that Giscard hopes to eventually rally some Socialists to the government. He cited the recent appointment of Secretary of State Francoise Giroud as an example of "bridge-building" to the moderate left.

The Justice Minister added that the government's immediate political problem is to block former foreign minister Jobert's efforts to build a center-left movement. Lecanuet said he personally believes Jobert must be taken seriously, despite widespread skepticism in French political circles about his chances. Jobert is trying to carve out a political niche for himself by appealing to the nationalism, anti-Americanism, and radicalism of a small but influential segment of the public. The Justice Minister believes Jobert will try

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to unite these elements and force an election before the Giscard forces are able to reduce to a minimum the number of seats the hard-core deputies can win. Lecanuet said he is personally attempting to head off Jobert by trying to rally the center-left to himself.

Lecanuet added that his centrist party will retain its separate identity for the near term, but that it will eventually join a confederation with Giscard's Independent Republicans and other centrist groups. In conclusion, he said that he did not foresee a major cabinet shuffle before the next legislative election.

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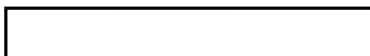
BOLIVIA

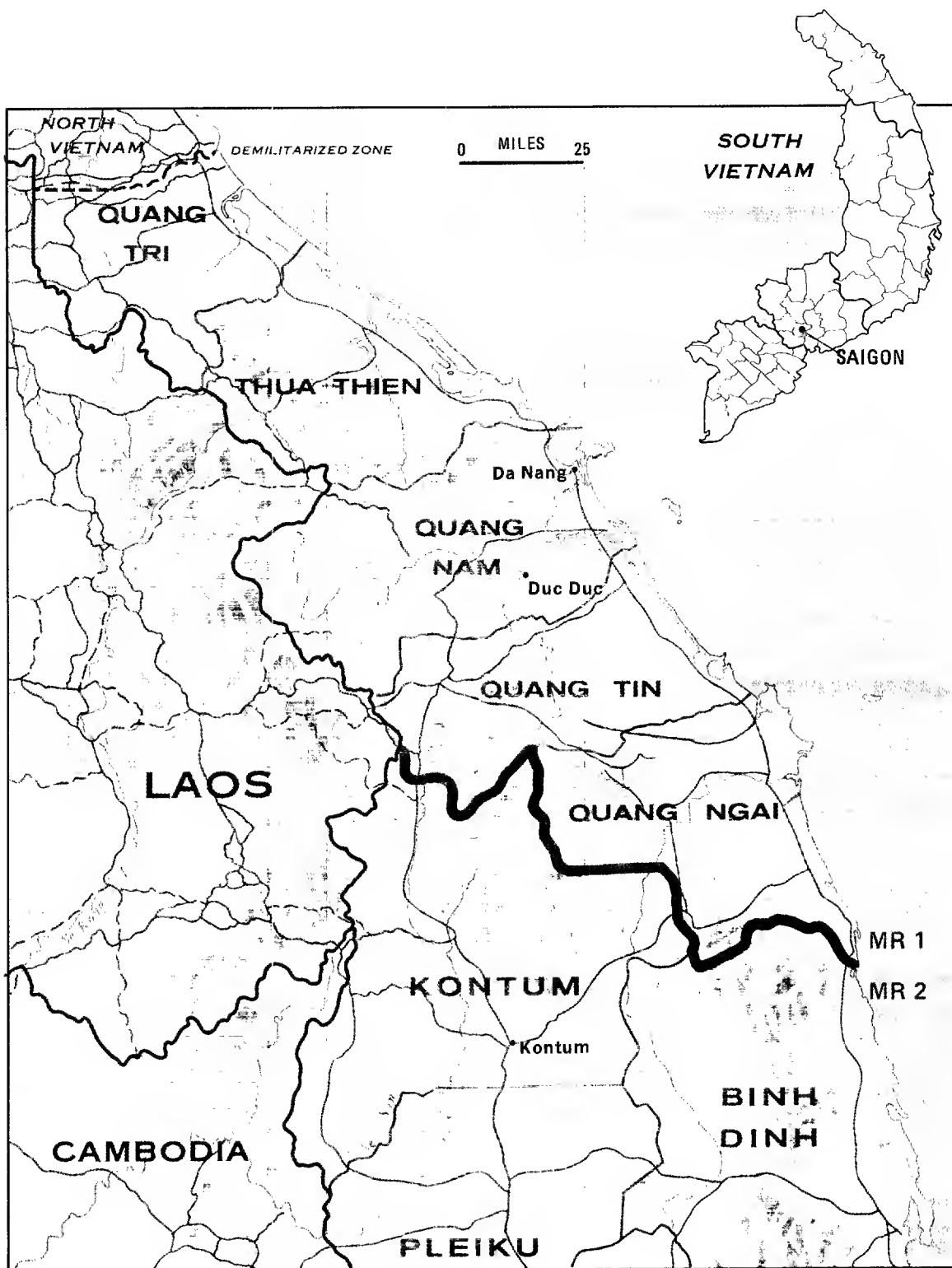
President Banzer has taken additional steps to improve his sagging position with the military, in the wake of the attempt last month to oust him. He has also promised his opponents a share in the government by reaffirming his intention to hold elections next year.

The President has reportedly proposed a 70-percent raise in military pay for all ranks. Such an increase could ease the immediate pressure on Banzer but would seriously strain the country's financial resources. It would also cause future problems, both political and financial, when other groups began to press for equivalent increases.



Despite these efforts, Banzer is unlikely to succeed in eliminating serious opposition to his administration. 





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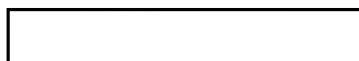
PRC-Japan: The Japanese Foreign Office announced on July 24 that a military attaché exchange agreement has been reached with China. Tokyo is already seeking Peking's approval of the appointment of an army colonel, and a Japanese newspaper claims the mutual exchange will occur "shortly." With Sino-Japanese shipping talks stalled, and discussion on a new fishing pact recently recessed until this fall, Tokyo and Peking may use the military attaché agreement to indicate that both sides are continuing to push for improved relations.

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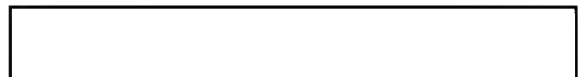
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